21. Income-Tax and the difficulties of merchants.

Mr. Ramasubbu Chettiyar Sivatanu Chettiyar (Member, Trading Classes' Kottar) represented that in 1097 the collectors of income tax recovered income-tax from the merchants on the basis of the returns of income for 1096 produced by the merchants, and in cases where such returns were not furnished they were assessed to the best of the judgment of the collectors. It was provided in the D Form notices served on the merchants that an adjustment of the tax would be made towards the end of the year after ascertaining the actual income for the year. But though the assessees produced their account books in 1098 to show the actual income of 1097, those books were in many cases not examined and returned to them. Even in the cases in which the accounts were examined, the actual income was not correctly ascertained, because the collectors did not understand the system of account-keeping followed by the merchants and they did not consult the assessees when examining their accounts. The Member stated that the recovery of the tax based on a provisional assessment of the previous year's income and the imposition of penalty for default of payment of such tax were causing great hardship to them. Before the actual income could be determined, they were bound to pay the estimated tax, and the amount so paid was very often a portion of the capital which they had borrowed at high rates of interest. To remove the hardship so caused, the Member prayed that, instead of recovering the whole amount of the estimated tax during the year in which it was due, one-half of that amount might be recovered in two instalments in the months of Vrischikam and Kumbham. In regard to the remaining half, since the accounts of every year would be closed by the end of that year, the amount due might be recovered in two instalments in the months of Makaram and Kumbham of the following year. In support of his prayer he said that, in British India, the tax for a year was recovered in the month of Dhanu that year, and that the amount of tax was calculated on the actual income of the previous year.

The Member also referred to a petition dated the 12th Panguni, 1097, submitted by the merchants of Kottar, and said that no final orders had been passed on the prayers contained in paragraphs 6 and 11 thereof.

22. Some hardships experienced in the enforcement of the Income-tax Regulation.

Mr. Ouseph Thoma (Member, Trading Classes, Changanachery), in accepting the principles underlying the Income-Tax Regulation, stated that several hardships were being experienced by the people on account of the enforcement of certain provisions of that Regulation. Those hardships were mainly of two classes, *viz*, (1) those arising out of the Regulation itself ; and (2) those incidental to its working. In regard to the former, he said that, firstly, under Section 51 of the Regulation, no suit could be brought in any civil court to set aside or modify any assessment order made under the Regulation, and that, therefore, any error or injustice committed by a collector could only be remedied by the higher officers of his department. The Member pointed out that such an arrangement was unsatisfactory and suggested that Section 51 be suitably amended so as to enable the assessees to secure the needed relief in civil courts. Secondly, under Section 11 (2) of the Regulation, Government sanctioned the exemption from calculation, for purposes of income-tax, of the contributions paid by an assessee to effect an insurance on his own life or on the life of his wife. Chitty funds in Travancore were analogous to life insurance funds; and the Member, therefore, prayed that the contributions to the former might also be similarly treated. Thirdly, the profits of a company were being assessed at the maximum rate, *viz.*, 2 *chackrams* in the rupee; but, with a view to afford relief to the share-holders, Section 36 provided for proportionate refunds at rates varying with their taxable income. The Member observed that the amounts which the shareholders were entitled to get back were, in many cases, so small when compared with the cost and trouble incidental to an application for refund that the assessees were rather inclined to forego those amounts. To avoid the loss that assessees might incur on the above account, the Member prayed that the actual profits from companies received by the shareholders might be included within their ordinary taxable income and the assessment made on the basis of such calculation. Turning next

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